

National Land Monetisation Corporation (NLMC)

The National Land Monetisation Corporation (NLMC), a Special Purpose Vehicle (SPV) established in the Union Budget 2021-22 to monetise government and surplus land holdings of public sector firms, has been approved by the Union Cabinet.

What exactly is the NLMC?

The NLMC will be a government-owned company that will carry out the monetisation of government and public sector assets in the form of surplus, unused, or underutilised land assets.

It will be administered by the Ministry of Finance and will have an initial authorised share capital of 5,000 crore and a paid-up capital of 150 crore.

The surplus land and building assets of such enterprises are expected to be transferred to the NLMC, which will facilitate the monetisation of assets belonging to PSUs that have ceased operations or are in line for a strategic disinvestment, in addition to monetising underutilised or unused land parcels of Central Public Sector Enterprises (CPSEs).

What is it going to do?

The establishment of the NLMC will hasten the closure of CPSEs and streamline the strategic disinvestment process.

It will also allow for the beneficial use of these underutilised assets by triggering private-sector investments.

It will encourage new economic activity such as industrialization, which will strengthen the local economy by creating jobs and providing financial resources for potential economic and social infrastructure.

In addition to managing and monetising excess non-core assets, the NLMC will serve as an advising body, assisting other government agencies and CPSEs in identifying surplus non-core assets.

It will aid in the efficient and professional monetisation of them, maximising the scope of value realisation.



What does it mean to "monetize" something?

When the government monetises its assets, it is effectively transferring the asset's revenue rights (which may be idle land, infrastructure, or a public utility) to a private party for a predetermined length of time.

The government receives an upfront payment from the private firm, a regular portion of the money generated by the asset, a commitment of consistent investment in the asset, and title rights to the monetised asset in such a transaction.

Government assets can be monetised in a variety of ways; for example, land monetisation of specific locations such as offices can be done through a Real Estate Investment Trust (REIT).

What are real estate investment trusts (REITs)?

REITs are real estate investment trusts that own and operate land assets as well as fund income-producing real estate. The Public Private Partnerships (PPP) model can also be used to monetise government assets.

Why is it necessary to monetize?

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Third, it is done to produce resources or capital for future asset creation, such as using monetisation proceeds to fund new infrastructure projects.

What will the NLMC's role be?

The NLMC will hire professionals from the private sector on a merit-based basis, similar to other specialised government companies such as the National Investment and Infrastructure Fund (NIIF) and Invest India.

This is because asset monetisation of real estate requires expertise in property valuation, market research, investment banking, land management, legal diligence, and other related skill sets.



How much land is Currently available for monetisation?

As of now, CPSEs have put about 3,400 acres of land on the table for future monetisation, according to the Economic Survey 2021-2022.

The Department of Investment and Public Asset Management has been notified about this property (DIPAM).

Monetisation of non-core assets of PSUs like as MTNL, BSNL, BPCL, B&R, BEML, HMT Ltd, Instrumentation Ltd, and others is at various levels, according to the survey.

What are the challenges that NLMC might face?

(a) The market is in a state of flux.

The NLMC's performance and productivity will be influenced by the government's ability to meet its disinvestment targets.

For example, the Life Insurance Corporation IPO, which was supposed to raise 60,000 crore, is now shrouded in uncertainty due to the Russia-Ukraine crisis, which has made stock markets volatile.

If the IPO does not hit the markets by the end of March, the government will have missed its disinvestment targets by a large margin.

(b) Problems with rights transfer

Asset monetisation does not end when the government transfers revenue rights to private players.

Finding sustainable revenue sources for monetised land assets, as well as securing appropriate private investment and establishing a dispute-resolution process, are all crucial challenges.

(c) Unattractiveness of PPP Model

Another potential difficulty is the use of Public-Private-Partnerships (PPPs) as a monetisation model; for example, the outcomes of the Centre's PPP effort for the Railways, which was launched in 2020, were not positive.

It had requested private partners to run 150 Indian Railways trains, but when bids were opened, there were no bidders for nine clusters of trains.

